

**Claiborne County Nursing Home
Tazewell, Tennessee**

**Cost Report and Patient Accounts
for the Period
July 1, 1999, Through June 30, 2000**

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TennCare/Medicaid audits are available on-line at www.comptroller.state.tn.us/sa/reports/index.html.
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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
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John G. Morgan
Comptroller

June 3, 2003

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. Manny Martins, Deputy Commissioner
Bureau of TennCare
729 Church Street, Fifth Floor
Nashville, Tennessee 37247

Ladies and Gentlemen:

Pursuant to Section 71-5-130, *Tennessee Code Annotated*, and a cooperative agreement between the Comptroller of the Treasury and the Department of Finance and Administration, the Division of State Audit performs examinations of nursing facilities participating in the Tennessee Medical Assistance Program under Title XIX of the Social Security Act (Medicaid).

Submitted herewith is the report of the examination of the Medicaid cost report and patient accounts of Claiborne County Nursing Home, Tazewell, Tennessee, for the period July 1, 1999, through June 30, 2000.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/pn
02/011

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

**TennCare Report
Claiborne County Nursing Home
Tazewell, Tennessee**

For the Year Ended June 30, 2000

And Patient Accounts for the Period July 1, 1999, Through June 30, 2000

FINDINGS RECOMMENDING MONETARY REFUNDS

Improper Billing of Hospital Leave Days

The facility inaccurately accumulated resident days. Also, the facility improperly billed the state \$11,235.43 for 143 hospital leave days while below 85% occupancy. This amount should be refunded to the State of Tennessee. These adjustments reduced the facility's computed cost (page 5).

Improperly Charging Medicaid Residents More Per Day Than Private-Pay Residents

Claiborne County Nursing Home improperly charged Medicaid residents an amount per day more than private-pay residents. As a result, the facility was overpaid \$19,479, computed during the year ended June 30, 2000 (page 5).

FINDINGS NOT RECOMMENDING MONETARY REFUNDS

Nonallowable Expenses Included on the Cost Report

The facility reported \$4,037 of total nonallowable expenses in its cost report. The adjustment to allowable costs consists of \$1,373 in expenses not related to patient care and \$2,664 in unsupported expenses. The facility's reimbursable rate was not affected by the adjustment (page 6).

Inaccurate Accumulation and Reporting of Patient Days and Revenue

The facility inaccurately accumulated resident days and revenue on the cost report. The adjustments include a reduction of total days by 171, Medicaid Level 1 days by 526 days, total patient revenue by \$20,379, and Medicaid Nursing Facility 1 revenue by \$92,512. The facility's reimbursable rate was not affected by these adjustments (page 7).

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

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Tazewell, Tennessee
Cost Report and Patient Accounts
for the Period
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**Claiborne County Nursing Home
Tazewell, Tennessee
Cost Report and Patient Accounts
for the Period
July 1, 1999, Through June 30, 2000**

INTRODUCTION

PURPOSE AND AUTHORITY OF THE EXAMINATION

The terms of contract between the Tennessee Department of Finance and Administration and the Tennessee Comptroller's office authorize the Comptroller to perform examinations of nursing facilities that participate in the Tennessee Medicaid Nursing Facility Program.

Under their agreements with the state and as stated on cost reports submitted to the state, participating nursing facilities have asserted that they are in compliance with the applicable state and federal regulations covering services provided to Medicaid-eligible recipients. The purpose of our examination is to render an opinion on the nursing facilities' assertions that they are in compliance with such requirements.

BACKGROUND

To receive services under the Medicaid Nursing Facility Program, a recipient must meet Medicaid eligibility requirements under one of the coverage groups included in the *State Plan for Medical Assistance*. The need for nursing care is not in itself sufficient to establish eligibility. Additionally, a physician must certify that recipients need nursing facility care before they can be admitted to a facility. Once a recipient is admitted, a physician must certify periodically that continued nursing care is required. The number of days of coverage available to recipients in a nursing facility is not limited.

The Medicaid Nursing Facility Program provides for nursing services on two levels of care. Level I Nursing Facility (NF-1) services are provided to recipients who do not require an intensive degree of care. Level II Nursing Facility (NF-2) services, which must be under the direct supervision of licensed nursing personnel and under the general direction of a physician, represent a higher degree of care.

Claiborne County Nursing Home, Tazewell, Tennessee, provides both NF-1 and NF-2 services. The facility is owned by Claiborne County. The board of directors for Claiborne County Nursing Home are as follows: Darrell Brittain, Chairman; Betty Manning,

Secretary/Treasurer; James D. Estep III, Clay Neely, David Bishop, Alan Neely, Dick Nevils, and Tom Mottern.

During the examination period, the facility maintained a total of 100 licensed nursing facility beds. The Division of Quality Assurance of the Department of Health licensed the facility for these beds. Eligible recipients receive services through an agreement with the Department of Health. Of the 36,300 available bed days, 21,303 were for Medicaid NF-1 patients for the year ended June 30, 2000. Also, the facility reported total operating expenses of \$3,688,667 for the period.

The Division of Quality Assurance inspected the quality of the facility's physical plant, professional staff, and patient services. The nursing facility met the required standards.

The following Medicaid reimbursable rates were in effect for the period covered by this examination:

<u>Period</u>	<u>Level I NF</u> <u>(744-0036)</u>	<u>Level II NF</u> <u>(044-5071)</u>
July 1, 1999, to June 30, 2000	\$ 96.11	\$133.98

PRIOR EXAMINATION FINDINGS

The previous examination of Claiborne County Nursing Home, for the year ended June 30, 1988, contained the following finding:

Nonallowable expenses included on the cost report

The finding has been repeated in this report.

SCOPE OF THE EXAMINATION

Our examination covers certain financial-related requirements of the Medicaid Nursing Facility Program. The requirements covered are referred to under management's assertions specified later in the Independent Accountant's report. Our examination does not cover quality of care, clinical, or medical provisions.



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT**

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Independent Accountant's Report

July 27, 2001

The Honorable Don Sundquist, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and
Mr. Mark Reynolds, Director
Bureau of TennCare
729 Church Street, Fifth Floor
Nashville, Tennessee 37247

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated July 27, 2001, that Claiborne County Nursing Home complied with the following requirements during the cost report period July 1, 1999, through June 30, 2000, and to the facility's patient accounts for the period July 1, 1999, through June 30, 2000.

- Income and expenses reported on the Medicaid Cost Report are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Resident days reported on the Medicaid Cost Report have been counted in accordance with state regulations. Medicaid resident days billed to the state for periods when residents were hospitalized or on therapeutic leave are in accordance with the 15-day hospital stay rule, the 85 percent occupancy rule, and the 60-day therapeutic leave day rule.

- Charges to residents and charges to residents' personal funds are in accordance with state and federal regulations.

As discussed in management's representation letter, management is responsible for ensuring compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the facility's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants, and accordingly, included examining on a test basis, evidence about Claiborne County Nursing Home's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Claiborne County Nursing Home's compliance with specified requirements.

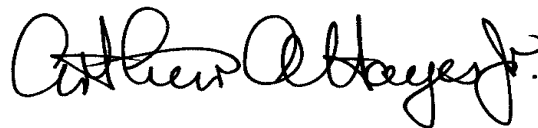
Our examination disclosed the following material noncompliance applicable to state and federal regulations.

- The facility improperly billed the Medicaid program for hospital leave days
- The facility included nonallowable expenses on the cost report
- The facility charged Medicaid residents more than private-paying residents were charged for the same services
- The facility improperly reported revenue

In our opinion, except for the material noncompliance described above, management's assertions that Claiborne County Nursing Home complied with the aforementioned requirements for the cost reporting period July 1, 1999, to June 30, 2000, and for resident accounts for the period July 1, 1999, to June 30, 2000, are fairly stated in all material respects.

This report is intended solely for the use of the Tennessee General Assembly and the Tennessee Department of Finance and Administration. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Hayes, Jr.", with a stylized flourish at the end.

Arthur A. Hayes, Jr., CPA,
Director

AAH/pn

FINDINGS AND RECOMMENDATIONS

1. Improper billing of hospital leave days

Finding

Claiborne County Nursing Home improperly accumulated and billed the Medicaid Program for 143 total hospital leave days when the facility was under 85% occupancy.

Chapter 1200-13-1-.06(4) of the *Rules* notes, “A level 1 nursing facility shall be reimbursed . . . [f]or the recipient’s bed in that facility during the recipient’s temporary absence . . . (provided) At least 85% of all other beds at the nursing facility are occupied at the time of hospital admission.”

The facility was overpaid \$11,235.43 for these noncovered hospital leave days.

Recommendation

Claiborne County Nursing Home should not accumulate or bill the Medicaid Program for hospital leave days when the facility is under 85% occupancy. The TennCare Bureau should take necessary steps to recover the \$11,235.43 due to the State of Tennessee, which represents overpayments by the Medicaid Program as a result of the improper billing of hospital leave days.

Management’s Comment

Management concurs. We have initiated a policy where the occupancy percentage is checked daily and hospital leave days are not billed when occupancy is below 85%.

2. Improperly charging Medicaid residents more than private-pay residents

Finding

Claiborne County Nursing Home improperly charged Medicaid residents more per day than private-pay residents during the year ended June 30, 2000. The facility’s Medicaid reimbursable rate for the period was \$91.65 per day. However, the average charge for private-pay residents receiving equivalent accommodations and services was \$90.74 per day.

Chapter 1200-13-1-.05(5)(h) of the *Rules of the Tennessee Department of Finance and Administration* states,

Regardless of the reimbursement rate established for an Intermediate Care Facility, no Intermediate Care Facility may charge Medicaid patients an amount greater than the amount per day charged to private paying patients for equivalent accommodations and services.

As a result of the improper charges, overpayments totaling \$19,478.76 were made to the facility.

Recommendation

Claiborne County Nursing Home should ensure that Medicaid patients are not charged more than other patients for equivalent accommodations and services. The facility should refund \$19,478.76 to the State of Tennessee, representing overpayments by the Medicaid Program for the year ended June 30, 2000.

Management's Comment

Management concurs. We are now analyzing all covered private pay charges to ensure that the average private pay rate is equal to or greater than the Medicaid reimbursement rate.

3. Nonallowable expenses included on the cost report

Finding

Claiborne County Nursing Home included \$4,037 of nonallowable expenses on the "Medicaid Nursing Facility Level 1 Cost Report" for the year ended June 30, 2000. The adjustment to allowable expenses consists of \$1,373.14 of expenses not related to patient care and \$2,663.86 of unsupported expenses.

Chapter 1200-13-6-.09 of the *Rules of the Tennessee Department of Finance and Administration* states, "Adequate financial records, statistical data, and source documents must be maintained for proper determination of costs under the program." The rule further states that "costs which are not necessary or related to patient care" should be deducted from allowable expenses.

The adjustments to allowable expenses had no effect on the facility's Medicaid reimbursable rate.

Recommendation

Claiborne County Nursing Home should include only allowable expenses on the “Medicaid Nursing Facility Level 1 Cost Report.” All reported expenses should be adequately supported and related to patient care.

Management’s Comment

Management concurs. We have added a new department that oversees the marketing for the hospital and nursing home. All costs associated with advertising and marketing are directed to this department. Also, management has implemented new policies and procedures to ensure that all expenses are adequately supported in order for them to be paid.

4. Inaccurate accumulation and reporting of patient days and revenue

Finding

Claiborne County Nursing Home did not adequately support or accurately report patient days and revenue on the “Medicaid Nursing Facility Level 1 Cost Report” for the fiscal year ended June 30, 2000. The facility over-reported NF-1 Medicaid days by 526, NF-2 Medicare days by 71, and private NF-1 days by 4. Also, the facility underreported private NF-2 days by 430. Total days were overstated by 171.

Additionally, the facility overstated Medicaid NF-1 revenue by \$92,512, Medicaid NF-2 revenue by \$776, and NF-2 Medicare revenue by \$1,359, while understating Private NF-1 revenue by \$12,887 and Private NF-2 revenue by \$61,381. Total patient revenue was overstated by \$20,379.

Chapter 1200-13-6-.15 of the *Rules of the Tennessee Department of Finance and Administration* states:

The cost reports . . . must provide adequate cost and statistical data. This data must be based on and traceable to the provider’s financial and statistical records and must be adequate, accurate, and in sufficient detail to support payment made for services rendered to beneficiaries.

The adjustments had no effect on the facility’s Medicaid reimbursable rate.

Recommendation

Claiborne County Nursing Home should maintain an adequate system to report and account for patient days and revenue. The report should provide adequate and accurate statistical data necessary for proper completion of the “Medicaid Nursing Facility Level 1 Cost Report.”

Management’s Comment

Management concurs. Management is communicating more effectively with the nursing home billing staff regarding payor changes.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Noncovered hospital leave days (see finding 1)	\$11,235.43
Medicaid residents charged more than private-pay residents (see finding 2)	<u>\$19,478.76</u>

Disposition of Overpayments

Due to the State of Tennessee	<u>\$30,714.19</u>
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